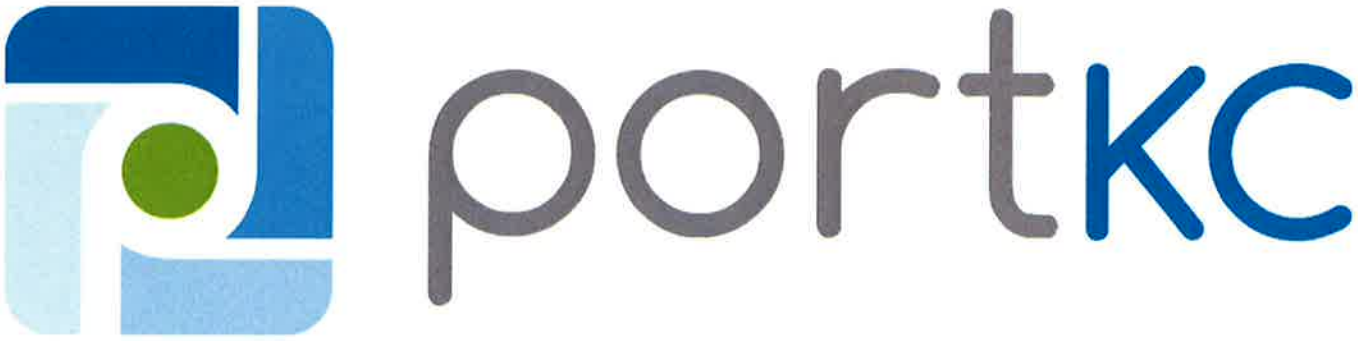

Port Authority of Kansas City, Missouri
(A Component Unit of the City of Kansas City, Missouri)

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

April 30, 2017

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Port Authority of Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Port Authority of Kansas City, Missouri (Port KC) - a component unit of the City of Kansas City, Missouri, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise Port KC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Port KC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Port KC of Kansas City Missouri, as of April 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 3-8 and page 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 23, 2017, on our consideration of Port KC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Port KC's internal control over financial reporting and compliance.

Novak Burke P.C.

Kansas City, Missouri
August 28, 2017

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PORT KC
(A Component Unit of the City of Kansas City, Missouri)
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended April 30, 2017

This discussion and analysis provides an overview of the financial performance of the Port Authority of Kansas City, Missouri (Port KC) for the year ended April 30, 2017. The intent of this discussion and analysis is to look at Port KC's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of Port KC's financial performance.

Financial Highlights

- Port KC completed a long-term land lease with Flaherty & Collins to build Union | Berkley Riverfront Park, a mixed-use building containing 410 luxury apartment units and 12,000 sf of commercial space. The project broke ground in November 2016. Union is the largest single phase, multifamily project in the metropolitan area. It is scheduled to open summer 2018.

- Port KC substantially completed the Rail Spur project at the Port of Kansas City – Woodswether Terminal. The rail line officially opened in June 2017 adding to existing connections making the port truly multimodal. The project was largely funded by Missouri Legislative earmarks.

- Port KC partnered with AltCap to administer the Diversified Contractor's Growth Fund (DCGF) to extend short-term loans to MBE/WBE businesses. Four loans were extended during the fiscal year with the average loan being $48,750. These loans allow contractors to bid on public or private work they would otherwise not be able to bid on due to cash flow limitations. This program is under the Special Revenue Fund umbrella in Port KC's fund statements.

- Port KC partnered with developers to issue new bonds totaling $187,353,260 in Conduit Debt (see Note L). Developer fees totaling $795,605 were collected for these services. These developments added more than 1,200 jobs in Kansas City. Additionally, Port KC administered Tax Compliance Payments of $389,999 to the local taxing jurisdictions.

- Port KC added volleyball courts to Berkley Riverfront during the summer of 2016. Port KC partnered with KC Crew who offers competitive volleyball leagues. More than 3,000 people used the popular courts over the last year.

- Port KC purchased 53 acres of land from the Aviation Department of Kansas City adjacent to the Richards-Gebaur Commerce Park. Most of that land is leased to Calvary University.

Port KC's Change in Net Position, which is a comparable measure to Net Income, was $3,181,022 for the fiscal year ending April 30, 2017. This is largely attributed to the land lease for Union | Berkley Riverfront Park, capital grants used for the Port of Kansas City - Woodswether Terminal, lease revenue, and developer fees from the issuance of conduit debt.

During fiscal year 2017, Port KC completed the majority of capital grants awarded in previous years for the Port of Kansas City – Woodswether Terminal. See Note F for more details concerning the progress of each grant award. The capital grants were used to build the Terminal Rail Spur to allow rail access to barge and truck service at the Woodswether Terminal.

Financial Highlights (continued)

Lease revenue continues to be Port KC's primary source of program revenues. Total lease revenue increased to $4,062,257 compared to $3,781,013 and $3,428,571 in 2016 and 2015, respectively. The 7.4% increase is from improvement across Port KC's entire leasing portfolio. The largest percentage increase to lease revenue came from Woodswether Terminal with a 31.3% increase from 2016 to 2017.

Total expenses have increased from $2,831,969 to $2,849,259 to $3,289,568 in fiscal years 2015, 2016, and 2017, respectively. Conversely, the ratio of total expense to total net revenues has decreased from 69.4% to 60.9% to 50.8% in the same periods.

Using these Financial Statements

These financial statements are presented from two different perspectives: Port KC as a whole and Port KC funds. Port KC as a whole is reported using accrual accounting, which is similar to accounting used by most private-sector companies. Port KC funds are reported on a modified accrual basis, which has more commonalities with cash accounting than full accrual accounting. The funds are reported in this manner in order to focus on the short term as well as funds available for future spending. See Note A.

Reporting Port KC as a Whole

The *Statement of Net Position* (page 9) and *Statement of Activities* (page 10) present Port KC as a whole. The presentation of these statements include assets, liabilities, net position, income, and expense using accrual accounting, which is similar to accounting used by most private-sector companies. Total revenues minus total expenses are reported as Changes in Net Position, which is similar to Net Income as used in by private-sector companies.

"Port KC's mission is to foster the economic vitality of Kansas City, Missouri through transportation, trade, commerce, and development," so the activities are presented as "Governmental activities: Economic development."

Reporting on Port KC Funds

The *Balance Sheet – Governmental Funds* (page 11) and *Statement of Revenues, Expenditures, and Changes in Fund Balance* (page 13) present the short term perspective of Port KC's two funds: the General Fund and the Special Revenue Fund.

General Fund – The general fund reports all of Port KC's basic services and operations.

Special Revenue Fund – The special revenue fund is for the specific purpose of providing economic development assistance to MBE/WBE enterprises. The Special Revenue Fund is often referred to as the Economic Advancement Fund, not be confused with the terms "Governmental activities: Economic development" found on the *Statement of Activities* (page 10) which reports Port KC as a whole.

The fund statements are reported using modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. All long-term assets and long-term liabilities are excluded to provide a detailed short-term view of Port KC's *Balance Sheet – Governmental Funds*. On the *Statement of Revenues, Expenditures, and Changes in Fund Balance*, depreciation on capital assets is not reported. In its place, because of the short-term perspective, all investments in capital assets are reported as Capital Outlay. Proceeds from new long-term debt are reported as other financing sources: debt issuance, and principal payments on debt are fund expenditures.

Reconciling Port KC as a whole with Port KC Funds

The differences in accounting methods used for each presentation add extra layers of detail for understanding Port KC's position and activities, both on the short-term and the long-term. The key differences, as described above, are also detailed out in Note A. Page 12 reconciles the differences between the *Statement of Net Position* and the *Balance Sheet – Governmental Funds*. Page 14 reconciles the differences between the *Statement of Activities* and the *Statement of Changes in Fund Balance*. Below is a more detailed reconciliation to highlight the differences between the accrual method and modified accrual method.

Statement of Net Position vs. Balance Sheet – Governmental Funds

	2017	2016	2015
Total Net Position (page 9)			
Current and other assets	$ 7,717,559	$ 5,341,751	$ 4,989,269
Capital assets	25,419,351	24,198,399	22,110,829
Total Assets	33,136,910	29,540,150	27,100,098
Current Liabilities	1,576,692	1,041,859	436,165
Long Term Debt	396,559	516,246	404,469
Other Long Term Liabilities	660,559	659,968	764,670
Total Liabilities	2,633,810	2,218,073	1,605,304
Net Position			
Invested in capital assets	24,552,138	23,643,928	21,690,243
Restricted	2,094,571	2,120,760	2,253,030
Unrestricted	3,856,391	1,557,389	1,551,521
Total Net Position	$ 33,503,100	$ 27,322,077	$ 25,494,794
Total Fund Balance (page 11)			
Current Assets	$ 7,935,277	$ 5,332,671	$ 4,980,189
Total Assets	7,935,277	5,332,671	4,980,189
Current Liabilities	1,332,836	1,041,859	436,165
Funds held for the benefit of others	660,559	659,968	764,670
Total Liabilities	1,993,395	1,701,827	1,200,835
Fund Balance			
Non-Spendable	1,292,772	38,894	161,186
Restricted	2,093,677	2,120,760	2,452,909
Unassigned	2,555,432	1,471,190	1,165,259
Total Fund Balance	$ 5,941,882	$ 3,630,844	$ 3,779,354

An important difference between the funds perspective and the governmental wide perspective is that all long-term assets and long-term liabilities are removed from the balance sheet. Page 12 reconciles the difference between Total Net Position and Total Fund Balance. Unrestricted Net Position and Unassigned Fund Balance are the best measures of Port KC's available resources in the short-run. Below is a reconciliation of the differences in perspective.

Unrestricted Net Position	$3,856,391
Less Non spendable General Fund Balance	1,291,879
Less other assets	9,080
Unassigned Fund Balance	$2,555,432

Statement of Activities vs. Statement of Revenues, Expenditures, and Changes in Fund Balance

Statement of Activities (page 10)	2017	2016	2015
Program Revenues:			
Lease Income	$ 4,062,257	$ 3,781,013	$ 3,428,571
Sales Tax Receipts	48,251	5,751	0
Miscellaneous	58,421	21,485	29,577
Developer Fees	1,311,025	594,230	130,767
Lease income due to the City	(1,527,031)	(1,430,330)	(1,430,328)
Total Charges for Services	3,952,924	2,972,149	2,158,587
Operating grants and contributions	25,250	88,721	427,994
Capital grants and contributions	2,482,009	1,608,804	1,492,067
General Revenues:			
Interest Earnings	10,408	6,867	4,018
Total Net Revenues	$ 6,470,591	4,676,541	4,082,666
Programs Expenses for Economic Development:			
Administrative	1,831,392	1,438,474	1,355,278
Professional Services	206,921	272,947	307,291
Maintenance	257,675	220,506	312,852
Insurance	230,214	220,426	189,920
Consulting	52,388	83,184	115,451
Travel	99,991	81,599	86,932
Marketing	134,845	83,113	104,076
Interest	22,247	19,958	18,320
Depreciation	453,895	426,691	384,158
Loss (gain) from fixed assets	0	2,361	(42,309)
Total Expenses	3,289,568	2,849,259	2,831,969
Changes in Net Position, Net Income	**$ 3,181,023**	**$ 1,827,282**	**$ 1,250,697**
Net position – Beginning of year	27,322,077	25,494,794	24,244,097
Net position – End of year	$ 30,503,100	$ 27,322,077	$ 25,494,794

Statement of Revenues, Expenditures, and Changes in Fund Balance (page 13)

Total Net Revenues from above	$ 6,470,591	$ 4,676,542	$ 4,082,666
Add Miscellaneous Revenue	38,225	0	0
Total Net Revenues for Governmental Funds	6,508,816	4,676,542	4,082,666
Expense under Modified Accrual Accounting			
Total Expenses from above	3,289,568	2,849,259	2,831,969
Add Debt Service – Principal	49,459	16,115	14,130
Add Capital Outlay	1,674,846	2,514,263	447,908
Remove Loss (gain) from fixed assets	0	(2,361)	42,309
Remove Depreciation	(453,895)	(426,691)	(384,158)
Total Fund Expenditures	4,559,978	4,975,052	2,952,158
Revenues less expenditures	1,948,838	(298,510)	1,130,508
Other Financing Sources:			
Debt Issuance	362,200	150,000	0
Excess (deficiency) of revenues over (under) expenditures	$ 2,311,038	$ (148,510)	$ 1,130,508
Total Funds Balance – Beginning of year	3,630,844	3,779,354	2,648,846
Total Funds Balance – End of year	$ 5,941,882	$ 3,630,844	$ 3,779,354

Statement of Cash Flows	**2017**	**2016**
Cash Flows from Operating Activities		
Change in Net Position, Net Income	$ 3,181,023	$ 1,827,283
Accounts Receivable	(6,766)	(71,672)
Prepaid Expenses	(45,239)	122,292
Deferred outflow of resources	(1,208,639)	0
Accounts Payable	212,286	84,346
Unearned Revenue	89,426	426,510
Security Deposits	(199,308)	72,730
Due to the City of Kansas City, Missouri	0	(105,364)
Funds Held for the Benefit of Others	591	662
Accumulated Depreciation	394,089	426,691
	2,417,463	2,783,478
Cash Flows from Investing Activities		
Capital Outlays	(1,615,041)	(2,514,262)
Cash Flows from Financing Activities		
Principal Payments	(49,459)	(16,115)
Debt Issuance Proceeds	362,200	150,000
	312,741	133,885
Total Increase (Decrease) to Total Cash	$ 1,115,163	$ 403,101
Total Cash – Beginning of year	4,951,725	4,548,623
Total Cash – End of year	$ 6,066,888	$ 4,951,725

Capital Asset Administration

At the end of fiscal year 2017, Port KC had $25,419,351 invested in capital assets. This includes land at Berkley Riverfront, Richards-Gebaur Commerce Park, and Port of Kansas City – Woodswether Terminal. Port KC's infrastructure includes the Town of Kansas pedestrian bridge, the ASB Bridge underpass, and leasehold improvements at the Port of Kansas City – Woodswether Terminal. Also during fiscal year 2017, land at Berkley Riverfront was reclassified as Real Estate Inventory Available for Sale. In total, Port KC's capital assets increased by $1,220,952, net of depreciation, over fiscal year 2016. See Note C for more on Capital Assets.

Capital Assets at Year End
Net of Depreciation

	2017	2016	2015
Land, non-depreciable assets and construction on progress	$ 8,146,885	$ 15,239,869	$ 13,311,333
Real Estate Inventory Available for Sale	8,421,126	0	0
Infrastructure and Equipment	8,851,340	8,958,530	8,799,496
	$ 25,419,351	$ 24,198,399	$ 22,110,829

Debt Administration

During fiscal year 2013, Port KC issued long term debt from a local bank to purchase land at Richards-Gebaur Commerce Park. At April 30, 2017 the outstanding balance was $387,509 due in June 2017. Port KC did not refinance the loan and made payment in full in June 2017.

During fiscal year 2016, Port KC issued long term debt from the Missouri Transportation Finance Commission (MTFC) in order to activate a grant from MODOT. At April 30, 2017 the outstanding balance was $128,734; principal amounts due within the next twelve months total $20,063.

During fiscal year 2017, Port KC purchased land from the Aviation Department of Kansas City with a long term note for $362,200. At April 30, 2017, the outstanding balance was $350,970; principal amounts due within the next twelve months total $63,082.

General Fund Budgetary Highlights

The annual budget is developed by the President of Port KC and approved by the Board of Commissioners. Port KC's operating budget and variances are found in the supplementary information on page 29.

Grants and Contributions fell short of the budget because the Port Terminal Rail Spur was completed under budget. Port KC still holds deferred grant revenues to be completed in fiscal year 2018. This caused Capital Outlay to be under budget thus had a minimal impact on the change in Fund Balance.

Developer fees exceeded expectations but fell short of the budget due to some changes in estimates that occurred after the budget was finalized and approved.

Administrative expense was under-budget due to expectations of new long-term leases at Richards-Gebaur Commerce Park. Shorter-term leases were signed which created some savings in the commissions budget. Travel was under-budget due to certain transactions being finalized leading to some cancelled travel plans. Marketing was over-budget largely due to additional sponsorship activities. Professional services were over-budget due to additional legal fees to finish certain transactions.

Current Financial Related Activities

Unearned revenue at April 30, 2017 included $435,000 restricted by an escrow agreement to construct electric and gas utility connections for Union | Berkley Riverfront Park. By June 30th, Port KC completed the electrical connections, and the gas connections are in in progress. The utilities will service several parcels at Berkley Riverfront. Port KC is working closely with Flaherty Collins and its general contractor during the construction phases of Union | Berkley Riverfront Park and additional site improvements.

Contacting Port KC Financial Management

This management discussion and analysis report is designed to provide Kansas City citizens, taxpayers, customers and interested parties with a general overview of Port KC's finances and provide reliable financial information for the year ended April 30, 2017. If you have further questions about this report or need additional information, contact Michael Collins, President/CEO of Port KC, 300 Wyandotte Street, Suite 100, Kansas City, Missouri 64105. For additional information about our organization the website address is: www.portkc.com.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
STATEMENT OF NET POSITION
April 30, 2017

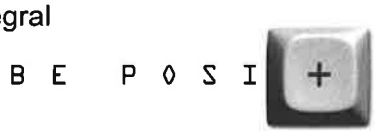
ASSETS

	Governmental Activities
Assets:	
Current assets:	
Cash and cash equivalents	$ 3,203,979
Accounts receivable (net)	348,818
Prepaids	84,133
Restricted cash and cash equivalents	2,862,910
Deferred outflow of resources	1,208,639
Non-current assets:	
Real estate available for sale	8,421,126
Capital assets not being depreciated:	
Land, improvements and construction in progress	8,146,885
Capital assets, net of accumulated depreciation (Note C)	
Infrastructure	8,419,820
Machinery and equipment	431,520
Other assets	9,080
Total Assets	$ 33,136,910

LIABILITIES AND NET POSITION

Liabilities:	
Current liabilities:	
Accounts payable and other current liabilities	$ 367,597
Unearned revenue	679,634
Security deposits	58,807
Current portion of long-term liabilities	470,654
Long-term liabilities:	
Long term debt	396,559
Funds held for the benefit of others	660,559
Total Liabilities	2,633,810
Net Position:	
Investments in capital assets	24,552,138
Restricted for	
Economic Development	2,094,571
Unrestricted	3,856,391
Total Net Position	$ 30,503,100

The accompanying notes are an integral part of this financial statement.



PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
STATEMENT OF ACTIVITIES
For The Year Ended April 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grant and Contributions	Net Revenues (Expenses) and changes in Net Position: Governmental Activites
Government Activites:					
Economic development	$ 3,289,568	$ 3,952,924	$ 25,250	$ 2,482,009	$ 3,170,615
General Revenues:					
Interest earnings					10,408
Changes in Net Position					3,181,023
Net position - Beginning of year					27,322,077
Net position - End of year					$ 30,503,100

The accompanying notes are an integral part of this financial statement.

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PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2017

ASSETS

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	$ 3,203,979	$ -	$ 3,203,979
Accounts receivable (net)	261,490	87,328	348,818
Prepaid items	1,291,879	893	1,292,772
Restricted cash and cash equivalents	1,887,125	975,785	2,862,910
Due from other funds	-	14,367	14,367
Interfund Loan	-	212,431	212,431
Total Assets	$ 6,644,473	$ 1,290,804	$ 7,935,277

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable	$ 364,260	$ 3,337	$ 367,597
Unearned revenue	679,634	-	679,634
Due to other funds	14,367	-	14,367
Security deposits	58,807	-	58,807
Funds held for the benefit of others	660,559	-	660,559
Interfund Loan	212,431	-	212,431
Total Liabilities	1,990,058	3,337	1,993,395
Fund Balance:			
Non spendable	1,291,879	893	1,292,772
Restricted	807,104	1,286,573	2,093,677
Unassigned	2,555,432	-	2,555,432
Total Fund Balance	4,654,415	1,287,467	5,941,882
Total Liabilities and Fund Balance	$ 6,644,473	$ 1,290,804	$ 7,935,277

The accompanying notes are an integral part of this financial statement.

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PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
April 30, 2017

Amounts reported in the government activities in the Statement of Net Assets are different because:

Ending fund balances - total governmental fund	$ 5,941,882
Governmental funds report capital outlays as expenditures. However in the Statement of Net Assets, the cost of those assets are capitalized and shown at cost, net of any accumulated depreciation. This is the amount of real estate and net capital assets reported in the Statement of Net Assets:	
Capital assets, depreciable	8,851,340
Capital Assets, non-depreciable	8,146,885
Real estate available for sale	8,421,126
Other	9,080
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also,	
Long Term Debt (net)	(867,213)
Total Net Assets of Governmental Activities	$ 30,503,100

The accompanying notes are an integral part of this financial statement.

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PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended April 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenue:			
Lease income	$ 4,062,257	$ -	$ 4,062,257
Grants and contributions	2,507,259	-	2,507,259
Sales Tax Receipts	48,251	-	48,251
Miscellaneous	92,938	3,708	96,646
Interest income	4,921	5,488	10,409
Developer fees	1,311,025	-	1,311,025
Total Revenues	8,026,651	9,196	8,035,847
Less:			
Lease income due to the city of Kansas City, Missouri	1,527,031	-	1,527,031
Net Revenues	6,499,620	9,196	6,508,816
Expenditures:			
Current -			
Administrative	1,754,424	76,968	1,831,392
Professional services	181,921	25,000	206,921
Maintenance	257,675	-	257,675
Insurance	230,214	-	230,214
Consulting	52,388	-	52,388
Travel	94,774	5,217	99,991
Marketing	133,944	901	134,845
Capital Outlay	1,627,099	47,747	1,674,846
Debt Service			
Principal	49,459	-	49,459
Interest	22,247	-	22,247
Total Expenses	4,404,145	155,833	4,559,978
Other financing sources:			
Debt issuance	362,200	-	362,200
Transfers	16,581	(16,581)	-
Total Other Financing	378,781	(16,581)	362,200
Excess (deficiency) of revenues over (under) expenditures	2,474,256	(163,218)	2,311,038
Fund Balance, beginning of year	2,180,159	1,450,685	3,630,844
Fund Balance, end of year	$ 4,654,415	$ 1,287,467	$ 5,941,882

The accompanying notes are an integral part of this financial statement.

BE POSITIVE.

PORT AUTHORITY OF KANSAS CITY, MISSOURI
(A Component Unit of the City of Kansas City, Missouri)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GENERAL FUND
TO THE STATEMENT OF ACTIVITIES
For The Year Ended April 30,2017

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	$ 2,311,038
Governmental funds report capital outlays as expenditures. However in the Statement of Activites, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation expense in the current period.	
Capital Outlays (Governmental Fund)	1,674,846
Depreciation (Government Wide)	(453,895)
Adjustment due to reclassification of fixed assets	-
	1,220,951
The Issuance of Long Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
Changes to revenue recognition	(38,225)
Long term debt issuance	(362,200)
Principal payments on long-term debt	49,459
	(350,966)
Change in Total Net Assets of Governmental Activities	$ 3,181,023

The accompanying notes are an integral part of this financial statement.

BE POSITIVE.

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to state legislation, the Port Authority of Kansas City, Missouri (a component unit of the City of Kansas City, Missouri) (Port KC) is a political subdivision of the State of Missouri as established in 1977 by the City of Kansas City Missouri. Port KC is governed by a seven-member Board of Commissioners appointed by the Mayor of the City of Kansas City, Missouri (the City).

Port KC's mission is to foster the economic vitality of Kansas City, Missouri, through transportation, trade, commerce, and development.

Reporting Entity

Port KC is a component unit of the City of Kansas City, Missouri (The City) as defined by Statements No.14, 39, and 61, of the Governmental Accounting Standards Board, as determined by the City of Kansas City, Missouri.

The Accounting Policies of Port KC conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of more significant policies:

Basis of Presentation

Port KC's basic financial statements include both government-wide (reporting Port KC as a whole) and fund financial statements (reporting Port KC's major funds).

Government-wide Financial Statements

The government-wide statement of net assets and the statement of activities report the overall financial activity of Port KC. All activities of Port KC are governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The government-wide statement of activities presents a comparison between direct expenses and revenues for each program of the governmental activities. Expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of Port KC.

B E P O S I + I V E .

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The Fund financial statements report provides information about Port KC's funds. Port KC accounts for all financial transactions through governmental funds. The general operating expenditures, fixed charges and capital improvements are financed through revenue received by the general fund.

Port KC reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of Port KC. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are lease income, grants, development fees and various other items. The primary expenditures are for economic development.

Special Revenue Fund – The economic advancement fund is reported as a special revenue fund. This fund was established for the specific purpose of providing economic development to MBE/WBE community. Funds initially deposited into this fund were received from a program previously managed by others, and revenues to this fund will primarily be associated with interest received on loans and fees collected on certain specific projects.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which Port KC gives (or receives) value without directly receiving (or giving) equal value in exchange, can include certain grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long term debt, which are recognized as expenditures to the extent they have matured. However, general capital asset acquisitions are reported as expenditures in the general fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

BE POSITIVE.

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, and Investments

Port KC considers demand deposits and certificates of deposits purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents. Port KC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted cash, cash equivalents, and investments consist of receipts which are restricted for use in specified development projects and the economic advancement fund (special revenue fund).

Accounts Receivable and Allowance for Doubtful Accounts

Port KC records each lease with a corresponding billing on a periodic basis as described in the applicable Lease Agreement. In addition, certain balances due from notes issued and associated with the Economic Advancement Fund are recorded within the account receivable balances. All receivables that historically experience uncollectable balances are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the balances and percentages of payments received historically, subject to current terms and conditions.

Capital Assets

Capital assets, which include land, building, equipment, property and infrastructure, are reported in the government-wide financial statements. In the governmental funds statements, capital assets are charged to expenditures as purchased. Donated assets are recorded as estimated fair value as of the date of the donation. Capital assets contributed by the City of Kansas City Missouri are recorded at the City's valuation at the date of acquisition.

Capital assets are defined by Port KC as assets with an initial, individual cost of $5,000 or more, and an estimated useful life of greater than one year. Additions of improvements and other capital outlays that significantly extend the useful life of an asset or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Major outlays for capital improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is generally recorded as economic development expenses in the government-wide statement of activities with accumulated depreciation reflected in the government-wide statement of net assets and is provided on the straight-line basis over the estimated useful life of the asset. Port KC follows the Government Finance Officers Association for estimating the useful life of depreciable assets.

BE POSITIVE.

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, buildings, equipment and infrastructure are depreciated using the straight-line method over the following estimated lives:

Asset Class	Estimated Useful Life
Buildings	50
Infrastructure	30
Furniture	20
Other improvements	20
Equipment	10
Vehicles	6
Computers and software	3

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within two months or year-end and available to pay obligations of the current period). The sources of revenue for Port KC considered susceptible to accrual include grants, rent and other miscellaneous income. Reimbursements due for federally funded projects if applicable are accrued as revenue at the time the expenditures are made, or when received in advance, they are deferred until expenditures are made.

Net Assets and Fund Balance Classifications

Government Wide – in the government-wide financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

Governmental Funds –Fund balances in the governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which Port KC is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The order of spending regarding the unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts. When expenditures are incurred for which both restricted and unrestricted fund balances are available, the order of spending is to reduce restricted fund balances first, and then unrestricted fund balance.

BE POSITIVE.

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the governmental fund financial statements, fund balance is composed in the five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Non-spendable fund balance – This portion of fund balance cannot be spent either because it is in non-spendable form or is required to be maintained intact. Port KC's non-spendable fund balance includes prepaid expenditures, which is the amount paid in advance for the following year's goods and services, and are not considered spendable resources.

Restricted fund balance – This portion of fund balance is restricted to specific purposes by state or federal laws, or externally imposed conditions by grantor's creditors.

Committed fund balance – The limitations of this portion of fund balance are imposed by majority vote by quorum of Port KC's board of commissioners. Such limitations remain binding unless modified or rescinded by the commission. As of April 30, 2017, Port KC did not have committed fund balance.

Assigned fund balance – The intended use of this portion of fund balance is established by Port KC Board, or the President/Chief Executive Officer. It may be appropriated to eliminate a projected deficit in the subsequent year's operating budget. As of April 30, 2017, Port KC did not have assigned fund balance.

Unassigned fund balance – This is the residual net resources after non-spendable, restricted, committed, and assigned.

Budgetary Accounting – Port KC is required to adopt a budget by statute. Internal controls over spending in specific funds, not subject to legal budgets, are maintained by the use of internal spending limits set by management.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – CASH, CASH EQUIVALENTS, AND INVESTMENTS-UNRESTRICTED AND RESTRICTED

A summary of Port KC's significant accounting policies regarding cash, cash equivalents and investments may be found in Note A of the Basic Financial Statements. Port KC's investment policy allows for purchases of U.S. Treasury Notes, Bills, Strips or Bonds and Certificates of Deposits, as required by statute.

At April 30, 2017, actual cash, cash equivalents, and investments on deposit were $6,280,962, consisted of the following:

	Unrestricted	Restricted
Deposits	$2,875,434	$3,405,528

BE POSITIVE.

NOTE B – CASH, CASH EQUIVALENTS, AND INVESTMENTS-UNRESTRICTED AND RESTRICTED (Continued)

Restricted balances consist of amounts related to the City's Water Service Department, riverfront development, MODOT grant funding received in advance for Woodswether Port Terminal, the Economic Advancement Fund, and Port Improvement Districts #1 & #2.

Port KC's policies regarding its management of various specific risks to its deposits and investments are below:

Interest Rate Risk - Port KC's investment policy does not contain limits regarding investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At April 30, 2017, Port KC only held cash.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Port KC will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Port KC will not be able to recover the value of investment or collateral securities that are in the possession of an outside party

Port KC's balances were secured by FDIC coverage and pledged collateral as required by statute. Securities are to be held in Port KC's name by a third party custodian.

Concentration of Credit Risk - Port KC places no limit on the amount it may invest in any one issuer. At April 30, 2017, Port KC's investments were limited to Certificates of Deposit which were fully insured and not subject to this risk.

Credit risk - The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. It is Port KC's policy to limit its investments to Certificates of Deposits or United States government securities. At April 30, 2017, there were no deposits subject to this credit risk.

BE POSITIVE.

NOTE C - CAPITAL ASSETS

Changes in Port KC's capital assets were as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated -				
Land	$ 13,604,952	$ 365,119	$9,325,375	$ 4,644,695
Real estate held for redevelopment	-	8,421,126	-	8,421,126
Construction in progress	1,634,918	3,434,127	1,566,855	3,502,190
Total Capital Assets Not Being Depreciated	15,239,869	12,220,372	10,892,229	16,568,011
Capital Assets Being Depreciated -				
Infrastructure	12,291,772	303,686	-	12,595,457
Equipment	669,809	43,019	59,806	653,022
Total Capital Assets Being Depreciated	12,961,581	346,704	59,806	13,248,480
Less Accumulated Depreciation For -				
Infrastructure	3,793,401	382,237	-	4,175,638
Equipment	209,651	71,658	59,806	221,503
Total Accumulated Depreciation	4,003,051	$ 453,895	$ 59,806	4,397,140
Total Capital Assets Being Depreciated, net	8,958,530			8,851,340
Governmental Activity Capital Assets, net	$ 24,198,399			$ 25,419,351

NOTE D - KANSAS CITY RIVERFRONT AND ISLE OF CAPRI CASINO LEASE AGREEMENTS

Port KC leases certain real property, fronting along the Missouri River, from Kansas City under an original lease agreement from May 1993. The original lease was superseded and replaced by the "First Amended and Restated Lease Agreement" (Riverfront Lease) in August 2006. The Riverfront Lease was superseded and replaced by the "First Amended and Restated Lease Agreement Kansas City Riverfront" (Restated Lease) in September 2011, concurrent with the City's conveyance and transfer of title to portions of the City parcels to Port KC (Transfer), together with certain improvements. Under the Restated Lease, the parcels not part of the Transfer continue to be leased for development purposes with the expiration date of August, 2056. As rent, Port KC is required to set aside for use by the City fifty percent of the total gross revenue received by Port KC attributable to operations of the leased property. The City is to use the amounts set aside for capital public improvements or development or redevelopment projects within specified boundaries, primarily within the Riverfront area.

In March of 1993, Port KC entered into a development agreement (Development Agreement) with Hilton Hotels Corporation (Hilton), whereby Hilton agreed to develop certain portions of the above described property for riverboat gambling (the Casino Property). In addition Port KC, as the landlord, and Hilton, as the tenant, entered into a long-term lease agreement for the Casino Property. Port KC and Hilton entered into an amended and restated lease for the Casino Property (Casino Lease) in August 1995 (as subsequently amended in October 1995 and June 1996).

BE POSITIVE.

NOTE D - KANSAS CITY RIVERFRONT AND ISLE OF CAPRI CASINO LEASE AGREEMENTS (Continued)

Hilton's rights and obligations under the Development Agreement and the Casino Lease were assigned to and assumed by the Isle of Capri Casino (IOC) in 2001. Port KC and IOC entered into an Amended and Restated Development Agreement in August 2005. Eldorado Resorts purchased IOC in May 2017 and assumed responsibility for the Casino Lease. Eldorado Resorts will continue to operate the casino as Isle of Capri Casino.

The Casino Lease provided for an initial 10-year term beginning October 18, 1995 (Opening Date) plus eight 5-year renewal options for a maximum lease of 50 years. The tenant is deemed to have elected to renew the Casino Lease for a subsequent 5-year renewal term unless the tenant notifies Port KC at least 12 months in advance of the beginning of a new renewal term. Port KC and IOC are in the first year of the third 5-year renewal term.

During the initial 10-year term, the tenant was to pay a minimum net annual rent of $2,000,000 per year, in advance, on the annual anniversary of the Opening Date. For each renewal term, the agreement provides for an increase in the minimum net annual rent by the percentage change in the Consumer Price Index (CPI). Effective October 2016 the minimum net annual rent for the third renewal term was increased to $3,054,062. In addition to the minimum net annual rent, the tenant is required to pay percentage rent. Percentage rent is calculated by 3.25% of adjusted gross receipts less the minimum net annual rent paid in advance. During the year ended April 30, 2017 there was no percentage rent, and the total net annual rent was $3,054,062.

NOTE E - RICHARDS-GEBAUR COMMERCE PARK

In April 2007 Port KC entered into a Cooperative and Purchase Agreement with the City of Kansas City, Missouri where the City agreed to convey 1,318 acres of land and improvements at the former Richards-Gebaur Air Force base to Port KC for $10,600,000. In connection with this agreement, Port KC also entered into a Development and Sales Agreement with CenterPoint Properties Trust (CenterPoint). Among other things the agreements required Port KC to sell to CenterPoint up to approximately 1,218.7 acres of the surface portion of the Richards-Gebaur property for a price of $10,600,000. CenterPoint gained options available throughout a period of up to 15 years to have portions of the surface property conveyed to them (CenterPoint Options). The purchase price was fixed at $10,600,000 regardless of the number of acres ultimately conveyed. The agreement with CenterPoint also provides that the rights and obligations under existing leases be assigned to CenterPoint as the Property is conveyed. All of the property to be conveyed to CenterPoint is exclusive of its mineral rights. Port KC will retain ownership of and all rights to the sub-surface of the property together with all mineral rights associates with the property.

In June 2007 the City conveyed all of the property to Port KC. On that same date, Port KC conveyed approximately 730 acres of the surface property to CenterPoint. Later in the same fiscal year, approximately 32 additional acres were conveyed to CenterPoint who immediately transferred it to another party for development purposes.

B E P O S I + I V E.

NOTE E - RICHARDS-GEBAUR COMMERCE PARK (Continued)

Port KC continues to operate approximately 457 acres of property within the CenterPoint Options and recorded rent revenues of $755,260 from these options for the year ended April 30, 2017. To the extent that these properties are not conveyed, management believes that many of the leases will be renewed. The leases have remaining lengths that range from month to month to five years with no provisions for guaranteed renewal periods extending beyond May 2022.

Within the boundary of the former Richards-Gebaur Air Force Base, Port KC purchased 5 acres of property in May 2012 from the United States Navy through the Base Realignment and Closure (BRAC) program for $644,111. Aggregately, these properties are operated as the Richards-Gebaur Commerce Park.

Future minimum rental amounts associated with the Richards-Gebaur Commerce Park are as follows:

Year Ended April 30,	
2018	$604,392
2019	397,654
2020	284,164
2021	176,664
Thereafter	107,292
	$1,570,166

In March 2017 Port KC purchased 53 acres of property to the southeast of CenterPoint Options from the Aviation Department of Kansas City. Port KC acquired leases associated with the purchased property worth $76,550 per year through August 2035. Port KC is in negotiations to sell some of the 53 acres, and the leases will be cancelled as a result of that sale. Thus these leases were not included in the future minimum rental amounts, above.

NOTE F – GRANTS

Port KC was awarded a Port Aid grant for capital improvement projects from the Missouri Highways and Transportation Commission in fiscal year 2015 for $579,672 where the Commission's financial share for the project shall not exceed 80% of the total cost of the project. The grant was received in advance in June 2015. During fiscal year 2016, $36,072 was charged and reported under the grant for an 80% match of $28,858 which was reported as Grant Revenue. During fiscal year 2017, $688,518 was charged and reported under the grant for an 80% match of $550,814 which was reported as Grant Revenue. This grant was completed and closed in December 2016.

Port KC was awarded a Port Aid grant for capital improvement projects from the Missouri Highways and Transportation Commission in fiscal year 2016 for $579,672 where the Commission's financial share for the project shall not exceed 80% of the total cost of the project. During fiscal year 2016, $177,128 was reported under the grant for an 80% match of $141,702 which was reported as Grant Revenue and collected during 2016. During fiscal year 2017, $547,462 was reported under the grant for an 80% match of $437,970 which was reported as Grant Revenue and collected during 2017. This grant was completed and closed in February 2017.

BE POSITIVE.

NOTE F – GRANTS (Continued)

Port KC was awarded a Port Aid grant from the Missouri Highways and Transportation Commission in fiscal year 2016 for $2,910,000 where the Commission's financial share for the project was 100%. During fiscal year 2016, $1,245,086 was reported under the grant and recorded as Grant Revenue. During fiscal year 2017, the balance of the grant was received in advance, and $1,493,225 was reported under the grant and recorded as Grant Revenue. The remaining balance of $171,689 is reported as Unearned Revenue to be completed in fiscal year 2018 for Woodswether Port Terminal projects.

Port KC was awarded a Port Aid grant for administrative expenses from the Missouri Highways and Transportation Commission for $25,250. The requirements for this grant were entirely satisfied in 2017. The grant was collected and recorded as Grant Revenue for $25,250.

NOTE G – RETIREMENT PLAN

Port KC sponsors a defined contribution 401(k) plan for all employees. Annually Port KC makes matching contributions of 100% of up to 3% of eligible gross salary, and 50% of up to 5% of eligible gross salary. Pension expense for the year ended April 30, 2017 totaled $30,398.

NOTE H – NOTES PAYABLE

Long-term obligations consist of the following balances at April 30, 2016 and April 30, 2017:

Long-term obligations	April 30, 2016	Additions	Reductions	April 30, 2017	Amounts due within one year
Term promissory note	$404,471	$ -	$ 16,962	$387,509	$ 387,509
Term debt	$ 21,266	$ -	$ 21,266	$128,734	$ 20,063
Promissory note	$ -	$362,200	$ 11,230	$350,970	$ 63,082

Notes payable as of April 30, 2017 consist of the following:

Term promissory note issued May 2012, obtained from a local bank in the amount of $461,250, with an interest rate of 4.75% per annum through May 2017. The loan balance was paid in full in fiscal year 2018.

BE POSITIVE.

NOTE H – NOTES PAYABLE (Continued)

Term debt issued October 2015, obtained from the Missouri Transportation Finance Corporation in the amount of $150,000, with an interest rate of 2.68% per annum through July 2022. Interest and principal are paid annually. Future annual payments required under the terms of the promissory note are as follows:

Fiscal	Principal	Interest
2018	$ 20,063	3,450
2019	20,601	2,912
2020	21,153	2,360
2021	21,715	1,798
Beyond	45,202	1,825
	$128,734	$ 12,346

Promissory note issued March 9, 2017, obtained from the Aviation Department of Kansas City in the amount of $362,200, with an interest rate of 3.00% per annum through April 2020. Interest and principal are paid monthly. Future annual payments required under the terms of the promissory note are as follows:

Fiscal	Principal	Interest
2018	$ 63,082	$ 9,641
2019	65,036	7,687
2020	222,852	5,296
	$350,970	$ 22,624

NOTE I - RELATED PARTY TRANSACTIONS

Port KC has certain agreements with the City of Kansas City, Missouri including a land lease for certain property near the Riverfront (Note D), and a purchase of land – secured through a promissory note from the City through the Aviation Department of Kansas City, Missouri (Notes E & H).

Port KC and the Water Services Department of Kansas City have an agreement for funds that are set aside for potential costs associated with environmental remediation on water, sewer or other utility lines owned and operated by the Water Services Department at the Riverfront site. The agreement is active through May 2021. At April 30, 2017, the funds related to the agreement were $1,321,118 restricted cash and cash equivalents, $660,559 funds held for the benefit of others, and $660,559 restricted net assets.

During fiscal 2016, the Water Services Department approved Port KC to take draws on the fund, following the process explicit in the agreement, not to exceed $585,000 which must be paid back into the fund within 12 months of the draw plus interest that would have been earned by the fund if the draw had not occurred. Port KC took $478,298 in draws in fiscal 2016 and $106,702 in draws in fiscal 2017. Port KC repaid $585,443, including interest, in January 2017.

BE POSITIVE.

NOTE J - RISK MANAGEMENT

Port KC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, and natural disasters. Port KC carries commercial insurance for the risk of loss, including workers compensation. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that have exceeded insurance coverage during the past three fiscal years.

NOTE K - COMMITMENTS AND CONTINGENCIES

Port KC participates in a number of Federal and State-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Management does not expect the amount of expenditures, if any, that may be disallowed by the granting agencies to have a materially adverse impact on the financial statements of Port KC.

NOTE L – CONDUIT DEBT

Port KC has issued certain conduit debt obligations for the express purpose of providing capital financing, in the form of sales and property tax exemption, for a specified third-party developer. Pursuant to a sale-leaseback arrangement, the third-party developer transfers title to Port KC of the property to be developed, and Port KC leases the property back to the developer for the term of the bond. Each lease is triple net, and provides that Port KC may transfer title of the property back to the developer, and terminate the bond transaction, in the event of any default by the developer/lessee. Each lease is without recourse or pecuniary liability to Port KC.

In all instances, the third-party developer/lessee is also the purchaser of the bond issued by Port KC, and is solely responsible for the payment of the debt service. Each conduit debt obligation is a "draw-down" bond, meaning that the lessee reduces the principal amount of the total bond available, as proceeds are needed to develop the project. All requisition certificates detailing the amount of principal to draw down from the bond are submitted to Port KC and then processed by the applicable trustee. Port KC is not in the flow of the funds, does not process any payments, and has no obligation for debt service. All payments of rent and debt service flow directly from the developer/lessee to a qualified third-party trustee.

Port KC receives only its cost of issuance and administrative costs at the closing, and an annual administrative fee received during the term of the bond. As a result, these taxable revenue bond issuances are not included in the financial reporting of Port KC.

As of April 30, 2017, the aggregate amount of all conduit debt obligations issued by Port KC was $337,773,460.

BE POSITIVE.

NOTE L – CONDUIT DEBT (Continued)

Conduit Debt Obligator	Date of Bond Issue	Name of Bond Issue	Bond Issuance Amount
MREM BOT Property, LLC	April 23, 2015	Taxable Revenue Bond (4800 Main Project) Series 2015A	$33,000,000
Sioux Chief QALICB, LLC	September 24, 2015	Taxable Revenue Bond (Sioux Chief Project) Series 2015	$24,000,000
NPIF Three Trails Building I, LLC	September 30, 2015	Taxable Revenue Bond (Three Trails Project – Building I) Series 2016	$11,110,200
Corrigan Station, LLC	January 5, 2016	Taxable Revenue Bond (Corrigan Station Project) Series 2016	$50,000,000
NPIF Three Trails Building II, LLC	January 27, 2016	Taxable Revenue Bond (Three Trails Project – Building II) Series 2016	$9,900,000
2001 Main Lodging Partners, LLC	April 28, 2016	Taxable Revenue Bond (2001 Main Project)	$22,500,000
NPIF Three Trails Building III, LLC	August 23, 2016	Taxable Revenue Bond (Three Trails Project – Building III) Series 2016	$16,763,260
Northland Park Building I, LLC	October 20, 2016	Taxable Revenue Bond (Northland Park Building I Project) Series 2016	$17,500,000
Andrews Rd, LLC	November 18, 2016	Taxable Revenue Bond (Andrews Rd Building Project) Series 2016	$30,000,000
CVS Corporation	December 13, 2016	Facility Bond – Taxable Revenue Bond (CVS Project) Series 2016A	$62,625,000
CVS Corporation	December 13, 2016	Equipment Bond – Taxable Revenue Bond (CVS Project) Series 2016B	$60,765,000

NOTE M – SUBSEQUENT EVENTS

Port KC evaluated subsequent events through August 28, 2017, the date the financial statements were available to be issued. No events were identified that required adjustment to or disclosure in the financial statements.

BE POSITIVE.

SUPPLEMENTARY INFORMATION

PORT AUTHORITY OF KANSAS CITY, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For The Year Ended April 30, 2017
With Comparative Actual Amounts For The Year Ended April 30, 2016

	2017			2016
	Budget	Actual	Variance Positive/ (Negative)	Actual
Revenues:				
Lease income	$ 3,996,022	$ 4,062,257	$ 66,235	$ 3,781,013
Grants and contributions	2,678,948	2,507,259	(171,689)	1,665,565
Tax Revenue	50,000	48,251	(1,749)	5,751
Miscellaneous	45,065	92,938	47,873	21,485
Developer fees	2,295,844	1,311,025	(984,819)	979
Interest	297	4,921	4,624	593,525
Total Revenues	9,066,176	8,026,651	(1,039,525)	6,068,318
Less:				
Lease income due to the City of Kansas City, Missouri	1,527,031	1,527,031	-	1,430,330
Net Revenues	7,539,145	6,499,620	(1,039,525)	4,637,988
Expenditures:				
Current -				
Administrative	1,819,840	1,754,424	65,416	1,415,762
Professional services	121,704	181,921	(60,217)	270,822
Maintenance	260,055	257,675	2,380	220,506
Insurance	230,000	230,214	(214)	220,426
Consulting	49,000	52,388	(3,388)	83,184
Travel	127,210	94,774	32,436	79,685
Marketing	104,050	133,944	(29,894)	75,613
Capital outlay	1,778,703	1,627,099	151,604	2,514,263
Miscellaneous	-		-	24,467
Debt Service -				
Principal	51,553	49,459	2,094	16,115
Interest	23,154	22,247	907	19,958
Total Expenditures	4,565,269	4,404,145	161,124	4,940,801
Revenues less expenditures	2,973,876	2,095,475	(878,401)	(302,813)
Other Financing Sources (Uses):				
Transfers In - Issuance of Notes Payable	362,200	362,200	-	150,000
Transfers In	39,200	16,581	22,619	35,500
Total Other Financing Sources (Uses)	$ 401,400	378,781	$ 22,619	185,500
Change In Fund Balance		2,474,256		(117,312)
Fund Balance - May 1, 2015		2,180,159		2,297,471
Fund Balance - April 30, 2016		$ 4,654,415		$ 2,180,159

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners of the
Port Authority of Kansas City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial statement audits contained in *Government Auditing Standards as* issued by the Comptroller General of the United States, the financial statements of governmental activities and the major fund of the Port Authority of Kansas City Missouri (Port KC) - a component unit of the City of Kansas City, Missouri, as of and For The Year Ended April 30, 2017, and the related notes to the financial statements, which collectively comprise Port KC's basic financial statements and have issued our report thereon dated August 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port KC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port KC's internal control. Accordingly, we do not express an opinion on the effectiveness of Port KC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port KC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novak Burke P.C.

Kansas City, Missouri
August 28, 2017

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